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Korean connection goes unexplored

The Justice Dept. decides not to probe a suspicious deal

by Jeffrey Stein

The president of a New Bedford, Mass. electronics firm has castigated as "shabby" the decision of the Justice Department not to investigate questionable procedures in the award of a \$2.9 million contract for military radios for South Korea.

The winner of the award, granted by the US Army as part of its foreign military-sales program, was the Dallas-based electronics conglomerate E-Systems, which has been under investigation by the Securities and Exchange Commission in connection with the Korean bribery scandal.

The low bidder for the contract on three occasions in 1974 was Bristol Electronics of New Bedford. On the Army's fourth request for bids, the contract was awarded to E-Systems — after the Army changed the contract specifications. Un-

der the final contract arrangements, E-Systems and the Army exercised an option whereby additional radio units were sold to South Korea at much higher prices, bringing the total value of the \$2.9 million award to \$11 million.

The Army official in charge of the award, Eugene E. Berg, later joined E-Systems as vice-president for new business development. A former vice-president of E-Systems, Harold L. Brownman, succeeded Berg as Assistant Secretary of the Army for Logistics and Installations.

Bristol Electronics President S. V. Revzin said in a telephone interview with the *Phoenix* last week that he feared for the financial future of his company if he revealed information that he feels would cast further doubt on the validity of the award to E-Systems. "I've got 200 em-

tion against the government of terms, Revzin replied. "I don't have lawyers which can operate at that level. Revzin also said that he had not been contacted by the Justice Department before it decided not to investigate the transaction. The SEC has alleged in papers filed in Los Angeles and Washington, D.C., that E-Systems may have funneled money through a Korean "marketing consultant" — money which may have been used for making illegal payments in the US."

The request for a Justice Department investigation of the Army's award of the contracts to E-Systems came from Representative Gerry E. Studds (D-Mass.). An earlier investigation of the transaction by the House Government Operations Committee had concluded that the award indicated "a predetermination on the part of the Army that one certain bidder (i.e., E-Systems) should receive the contract."

But Assistant Attorney General for the Criminal Division Benjamin Civiletti replied in a letter to Studds that "we have found nothing in the material which you furnished us on which we have received from the House Committee on Government Operations to indicate any potential for criminal conduct."

SEC records on file in Washington show that five South Koreans involved in the E-Systems investigation were subpoenaed to furnish records of any com-

munications they might have had with MEMCOR, a division of E-Systems that manufactured the radios for South Korea. An attorney for the Koreans has told the SEC that such records as may have existed have been taken to South Korea.

E-Systems' sales increased from \$81.9 million in 1975 to \$119.3 in 1976. Its officers include William E. Rayborn and Lloyd K. Lauderdale, each of whom once directed the CIA's science and technology division, and Harold Brownman, who was once deputy director of the CIA for "special projects." A recent acquisition of the company was Air Asia, formerly an arm of the CIA proprietary company Air America.

In all, the company has six major subdivisions and fourteen subsidiaries that hold major US government contracts, most of which are classified. The company keeps up "customer relations" with Brazil, Germany, Indonesia, Iran, Italy, Japan, South Korea and Egypt. Some 85 percent of E-Systems' sales in 1975 — a total of nearly \$216 million — were to the US government.

Congressman Studds has asked the Justice Department to explain how it arrived at its conclusion that there was not sufficient evidence to warrant an investigation of the E-Systems contract. "I am puzzled by your apparent decision to rely solely on my ability to provide you with evidence in order to arrive at a decision for a formal investigation," Studds wrote. "It seems to me that the Justice Department is in a far better position to obtain evidence than am I."